



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 5, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **MARYVALE CONTRACT REVIEW – A DEPARTMENT OF MENTAL
HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of Maryvale (Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with Maryvale, a private non-profit community-based organization that provides services to clients in Service Planning Area 3. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the First District.

DMH paid Maryvale on a cost-reimbursement basis between \$1.77 and \$4.37 per minute of staff time (\$106.20 to \$262.20 per hour) for services or approximately \$2.5 million and \$2.4 million for Fiscal Years (FY) 2007-08 and 2008-09, respectively.

Purpose/Methodology

The purpose of our review was to determine whether Maryvale complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

Results of Review

Maryvale maintained documentation to support the 1,634 service minutes sampled and staff assigned to the County contract possessed the required qualifications. In addition, the Agency maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, Maryvale charged \$89,456 in questioned costs to their DMH cost center and did not always comply with the County contract requirements. Specifically, Maryvale:

- Did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for three (15%) of the 20 clients sampled on their Assessments.
- Charged DMH \$8,287 for non-DMH related consulting costs and \$333 for alcoholic beverages.
- Charged 100% of an employee's salary totaling \$80,836 to their DMH cost center. However, the employee worked on both DMH and non-DMH programs during FY 2008-09.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with Maryvale and DMH. In the attached response, the Agency concurred with our findings and recommendations. Maryvale agreed to reduce their FY 2007-08 Cost Report by \$8,620 and re-allocated the \$80,836 between DMH and non-DMH cost centers.

We thank Maryvale management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Sister Rachela Silvestri, D.C., Chairperson, Maryvale
Steve Gunther, President/Executive Director, Maryvale
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
MARYVALE
FISCAL YEARS 2007-08 AND 2008-09**

BILLED SERVICES

Objective

Determine whether Maryvale (Agency) provided the services billed in accordance with their County contract with the Department of Mental Health (DMH).

Verification

We selected 40 billings totaling 1,634 minutes from 141,234 service minutes of approved Medi-Cal billings for February and March 2009. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 1,634 minutes represent services provided to 20 program participants.

Results

Maryvale maintained documentation to support the service minutes billed. However, the Agency did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for three (15%) of the 20 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them.

Recommendation

1. **Maryvale management ensure that Assessments are completed in accordance with the County contract.**

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that require staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether Maryvale's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 15 of the 36 Maryvale treatment staff who provided services to DMH clients during February and March 2009.

Results

Each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash and other liquid assets.

Verification

We interviewed Agency management and reviewed the Agency's financial records. We also reviewed their April 2009 bank reconciliations for two bank accounts.

Results

Maryvale maintained adequate controls to ensure that cash, liquid assets and revenue were properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Maryvale's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and selected a sample of expenditures to ensure that expenditures were appropriately allocated to the Agency's programs.

Results

Maryvale prepared its Cost Allocation Plan in compliance with the County contract and appropriately allocated the Agency's expenditures.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately charged to the DMH program.

Verification

We reviewed financial records and documentation to support 36 non-payroll expenditure transactions totaling \$72,226 charged to the DMH program between July 2007 and April 2009.

Results

Maryvale charged DMH \$8,287 for non-DMH related consulting costs and \$333 for alcoholic beverages.

Recommendations**Maryvale management:**

2. **Revise the Fiscal Year (FY) 2007-08 Cost Report to reduce the reported program expenditures by \$8,620 and repay DMH for any excess amount received.**
3. **Ensure that only allowable program expenditures are charged to the DMH program.**

FIXED ASSETS**Objective**

Determine whether fixed asset depreciation costs charged to DMH were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed staff and reviewed the Agency's financial records related to fixed assets. Maryvale charged DMH \$11,177 of depreciation costs for 27 total items in FY 2007-08. We reviewed nine items with depreciation costs totaling \$2,577.

Results

The depreciation costs charged to DMH were allowable, properly documented and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for 13 employees totaling \$29,690 to the payroll records and time reports for the pay period ending April 9, 2009. We also interviewed four employees and reviewed personnel files for the 13 employees sampled in this area.

Results

Maryvale properly maintained their personnel files. However, Maryvale charged DMH \$80,836 for 100% of the salary paid to one employee who also worked on non-DMH programs during FY 2008-09. In October 2008, the employee's job assignment changed from working solely on the DMH program to also managing non-DMH programs. However, the Agency continued to charge the employee's entire salary to DMH. Subsequent to our review, Maryvale determined the allocation rates for the employee's salary and provided a revised allocation worksheet. However, the Agency has not provided the documentation to support their allocation rates.

Maryvale needs to ensure that the payroll costs for non-DMH services are not included in their FY 2008-09 Cost Report.

Recommendations**Maryvale management:**

4. Allocate the \$80,836 between DMH and non-DMH programs and reduce the FY 2008-09 payroll expenditures by the non-DMH amount.
5. Ensure that payroll expenditures are appropriately allocated to all benefited programs.

COST REPORT**Objective**

Determine whether Maryvale's FY 2007-08 Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

The total Agency expenditures listed on Maryvale's Cost Report reconciled to the Agency's accounting records.

Recommendation

None.



March 18, 2010

Ms. Wendy Watanabe
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-3873

RE: Maryvale Contract Review - A Department of Mental Health Provider

Dear Ms. Watanabe:

This letter is written in response to the Contract Review of Maryvale's Mental Health Program, which was conducted by your Department in June and July 2009. An exit conference was held at Maryvale on October 29, 2009 to discuss the results of the review.

First, we would like to say that the review team, led by Cindy Pak, conducted the review in a professional manner according to the high standards expected within the accounting profession and your Department. The review was comprehensive with great attention to detail. The review team stated the purpose and the scope of the review and clearly delineated what documentation was required to complete the review. The review team met with Maryvale staff upon the conclusion of the review to discuss preliminary findings.

The contract review process afforded Maryvale the opportunity to examine the Agency's policies and procedures in relation to the utilization of public funds in providing Mental Health services to at-risk children placed by the Department of Children and Family Services and the Department of Probation. We are committed to continuing our collaborative relationship with the Department of Mental Health and are committed to fully complying with the County's fiscal and program requirements in delivering quality care to the children and their families.

In relation to the Audit of Maryvale's Mental Health Program, we respectfully submit the following response to the Maryvale Contract Review by your Department.

Ms. Wendy Watanabe
March 17, 2010

Billed Services – page 1

It was stated that *“the Agency did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency’s clinical diagnosis for three (15%) of 20 clients sampled on their Assessments.”* The following recommendation was made:

1. *Maryvale management ensure that Assessments are completed in accordance with the County contract.*

All staff members upon hire are thoroughly trained by a Licensed Psychologist and Licensed Supervisor on DMH standards of treatment including completing Assessments, Client Care Plans, and proper documentation and progress notes for all clients. This includes review of the DSM-IV TR for diagnosing clients as well as identifying clients’ impairment which is required by the contract to meet medical necessity.

As you know, the art and science in diagnosing children and adolescent psychopathology is an extremely complex, dynamic, and fluid endeavor. The actual practice of diagnosing children and adolescent mental health disorders requires a thorough assessment and evaluation of the following: predisposing factors, societal factors, environmental factors, social factors, familial factors, biological factors, precipitating factors, reinforcing factors, intra-psyche dynamics, and family dynamics. Given this, even the most experienced and reputable clinicians often disagree as to diagnostic certainty based on the symptom picture. Best practice guidelines recommend a broader assessment and evaluation in order to arrive at a more comprehensive conceptualization of a child or adolescent’s problems. It is this practice that results in better treatment planning with clearer goals and objectives.

Notwithstanding all of the above, Maryvale was proven through the Auditor-Controller’s Program Audit to be exceptionally competent in clinically diagnosing its clients. Specifically, out of 20 clients sampled, only three fell within this aforementioned questionable margin. These three specific client assessments were completed by the same clinician. This raises the possibility that the findings may reflect clinician disagreement rather than inadequate clinical diagnosis or any issue of contract compliance.

In accepting this finding, the Director of Mental Health, the Quality Assurance and Improvement Manager and the Clinical Supervisor have reminded all clinical staff that they should continue to strive to clearly describe the unique symptoms and behaviors as well as all the aforementioned factors in assessing and diagnosing each client. Quality assurance measures in place will continue to monitor the specific areas of clinical practice. This specifically includes assessment reviews by the Licensed Clinical Supervisor, the Quality Assurance Manager and Utilization Review Committee.

Ms. Wendy Watanabe
March 17, 2010

Expenditures – page 3

It was stated that: *“Maryvale charged DMH \$8,620 for unallowable expenditures.”* It was recommended that Maryvale management:

2. *Revise the Fiscal (FY) 2007-2008 Cost Report to reduce reported program expenditures by \$8,620 and repay DMH for any excess amount received.*
3. *Ensure that only allowable program expenditures are charged to the DMH program.*

Out of the total \$8,620 expenditures in question, an amount of \$8,287 categorized as non-DMH related consulting costs is compensation for services provided by our Neurologist. Although Maryvale adheres to best practice standards by utilizing the services of a Child and Adolescent Neurologist to support the psychiatric care provided to residents, due to contractual limitations, we are not able to include this particular consultant on the contract. Maryvale chooses to provide these required high quality consultant services and will continue to pay for these same services with non-DMH funds.

The remaining amount of \$333 related to expenses for the annual combined Board of Directors and Advisory Board meeting. Payment for the use of the facility and the food/beverages was paid by Maryvale in a single invoice. Maryvale inadvertently misallocated \$333 of unallowable alcoholic beverage expense to the DMH program.

In response to the recommendation by the Auditor-Controller, Maryvale will work with the designated Department of Mental Health (DMH) staff to revise the Fiscal (FY) 2007-2008 Cost Report in order to reduce the reported program expenditures by \$8,620 as noted above. Further, Maryvale will resolve any overpayment in relation to this finding with the Department of Mental Health during the established settlement process for 2007-2008. Maryvale will continue to take every measure to ensure that only allowable program expenditures are charged to DMH programs.

Payroll and Personnel – page 5

The report questions the allocation of \$80,836 in salary expenses to the DMH contract. It is recommended that Maryvale management:

4. *Allocate the \$80,836 between DMH and non-DMH programs and reduce the FY 2008-09 payroll expenditures by the non-DMH amount.*
5. *Ensure that payroll expenditures are appropriately allocated to all benefitted programs.*

At the time of the Auditor-Controller review in June/July 2009, the allocation of \$80,836 in salary expense had not yet been effected, as the cost report for 2008/2009 was not due

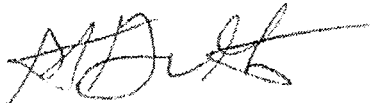
Ms. Wendy Watanabe
March 17, 2010

and, therefore, not yet completed. Due to issues between the County Department of Mental Health and the State Department of Mental Health regarding the Cost Report format, the deadline for this annual report was delayed from September 15, 2009 to January 25, 2010. Upon completion of the annual Cost Report in January 2010, the \$80,836 was properly allocated between DMH and non-DMH expenditures based on time card and general ledger data.-

Maryvale will ensure that payroll and non-payroll expenditures be appropriately allocated to all benefitted programs through the use of internal control procedures include procuring proper supervisorial approvals for expenditures, as well as, a review of the monthly financial expenditures by Department Heads and Senior Management. In addition, to ensure that expended funds meet federal A-133 and state/local requirements, an external audit is completed annually upon the conclusion of our fiscal year.

Again, Maryvale deeply appreciates the opportunity to partner with Los Angeles County in providing quality mental health services for the children who are most at-risk. Please feel free to contact me at 626-280-6510 if there are any questions in relation to this information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Gunther', with a stylized flourish extending to the right.

Steve Gunther, MSW
President and Executive Director